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H.R. 5661-The Oil Pollution Taxpayer and Environmental Protection Act

Background

- The Deepwater Horizon disaster in the Gulf of Mexico was perfect example of the problems in our nation's royalty policy. Each day Americans were presented with changing estimates of how much oil was being spilled, a number that directly relates to the liability that can be levied against the responsible party. This disaster was a harsh reminder of how little government regulators know about how much oil or gas the industry removes on a regular basis and how little ability they have to ensure that American taxpayers are being accurately paid for the resources the American government is selling.
- In recent years, the Government Accountability Office has released multiple reports outlining the shortcomings of the U.S. offshore royalty policy and royalty-relief programs, which encourage domestic exploration and production in deep waters.^{1 2} The drilling industry itself has said that these artificial incentives have pushed the practice to greater depths and greater limits, calling off-shore deep-water production "very risky" and saying that without these economic incentives it "simply wasn't economic given the risk."³
- When compared to the vast majority of countries around the globe, the U.S. consistently ranks at or near the bottom revenue for government revenue from off shore royalties. United States consistently. In light of the BP disaster, it simply makes no sense that American taxpayers continue to subsidize multi-billion dollar deepwater offshore drilling companies, encouraging this risky practice while simultaneously bearing brunt of the environmental and economic costs when the overwhelming risk leads to tragedy.

What the Oil Pollution Taxpayer and Environmental Protection Act does:

- Repeals Sections 344 and 345 of the Energy Policy Act of 2005 for all new leases. These Outer Continental Shelf (OCS) Deep Water and Deep Gas Royalty Relief provisions waive royalty fees for the express purpose of encouraging deepwater drilling, while also pushing the safety and fair-market limits of high risk deepwater drilling.
- Amends the Outer Continental Shelf Lands Act to raise the statutory minimum for royalty payments for off-shore leases from 12.5% to 20%. The administration has recently raised royalty rates to 18.75%, but an appropriate higher rate should be required by statute.
- Directs the Interior Secretary to ensure that lease and royalty payments provide a fair return to the American taxpayer by requiring the Department of the Interior (DOI) to publish in the Federal Register a written justification for how royalty rates for new leases are derived.
- Requires the Interior Secretary to take into consideration average royalty rates from around the globe when setting U.S. royalty rates. The US Government's take ranks near the bottom when compared to many other countries and systems.
- Makes companies responsible for paying royalties on spilled oil. This oil is a natural resource owned by the American people, and they should be compensated for their loss of revenue.

¹ [GAO Report: OIL AND GAS MANAGEMENT-Interior's Oil and Gas Production Verification Efforts Do Not Provide Reasonable Assurance of Accurate Measurement of Production Volumes](#)

² [GAO Report: OIL AND GAS ROYALTIES-The Federal System for Collecting Oil and Gas Revenues Needs Comprehensive Reassessment](#)

³ [Houston Chronicle, "Oil Industry Pushes Back on Royalties," April 21, 2010.](#)

- Requires the Interior Secretary to finalize outstanding standards and specifications for acceptable electronic flow monitoring systems, and directs the DOI to initiate rule making that will require the use of these devices and allow for an accurate accounting of oil and gas removed. We should know exactly how much oil and gas is being removed from our public ownership, and should especially know how much is being spilled when a tragedy like the BP spill takes place.